

103D CONGRESS
1ST SESSION

S. 939

To amend the Internal Revenue Code of 1986 to simplify the definition of dependent, to provide a uniform definition of child, and for other purposes.

IN THE SENATE OF THE UNITED STATES

MAY 12 (legislative day, APRIL 19), 1993

Mr. MOYNIHAN (for himself and Mr. PACKWOOD) introduced the following bill;
which was read twice and referred to the Committee on Finance

A BILL

To amend the Internal Revenue Code of 1986 to simplify the definition of dependent, to provide a uniform definition of child, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE; AMENDMENT OF 1986 CODE.**

4 (a) SHORT TITLE.—This Act may be cited as the
5 “Tax Simplification for Families Act of 1993”.

6 (b) AMENDMENT OF 1986 CODE.—Except as other-
7 wise expressly provided, whenever in this Act an amend-
8 ment or repeal is expressed in terms of an amendment
9 to, or repeal of, a section or other provision, the reference

1 shall be considered to be made to a section or other provi-
 2 sion of the Internal Revenue Code of 1986.

3 **TITLE I—DEFINITION OF** 4 **DEPENDENT**

5 **SEC. 101. DEDUCTION FOR PERSONAL EXEMPTION FOR DE-**
 6 **PENDENTS.**

7 (a) IN GENERAL.—Section 152 (defining dependent)
 8 is amended to read as follows:

9 **“SEC. 152. DEPENDENT DEFINED.**

10 “(a) IN GENERAL.—For purposes of this subtitle, the
 11 term ‘dependent’ means—

12 “(1) a qualifying child, or

13 “(2) a qualifying relative.

14 “(b) EXCEPTIONS.—For purposes of this section—

15 “(1) DEPENDENTS INELIGIBLE.—If an individ-
 16 ual is a dependent of a taxpayer for any taxable year
 17 of such taxpayer beginning in a calendar year, such
 18 individual shall be treated as having no dependents
 19 for any taxable year of such individual beginning in
 20 such calendar year.

21 “(2) DEPENDENTS OF 2 OR MORE TAX-
 22 PAYERS.—If, after application of all provisions of
 23 this section other than this paragraph, an individual
 24 would be treated as a dependent of 2 or more tax-
 25 payers for taxable years beginning in the same cal-

1 endar year, such individual shall be treated as the
2 dependent of the taxpayer with the highest adjusted
3 gross income.

4 “(3) MARRIED DEPENDENTS.—An individual
5 shall not be treated as a dependent of a taxpayer
6 under subsection (a) if such individual has made a
7 joint return with the individual’s spouse under sec-
8 tion 6013 for the taxable year beginning in the cal-
9 endar year in which the taxable year of the taxpayer
10 begins.

11 “(4) NONRESIDENT ALIENS.—

12 “(A) IN GENERAL.—A nonresident alien
13 shall not be treated as a dependent under sub-
14 section (a).

15 “(B) EXCEPTION FOR ADOPTED CHILD.—
16 Subparagraph (A) shall not apply to any legally
17 adopted child of a taxpayer if—

18 “(i) for the taxable year of the tax-
19 payer, the child’s principal place of abode
20 is the home of the taxpayer, and

21 “(ii) the taxpayer is a citizen of the
22 United States.

23 “(c) QUALIFYING CHILD.—For purposes of this sec-
24 tion—

1 “(1) IN GENERAL.—The term ‘qualifying child’
2 means, with respect to any taxpayer for any taxable
3 year, an individual—

4 “(A) who is a child of the taxpayer or a
5 descendant of a child of the taxpayer,

6 “(B) who has the same principal place of
7 abode as the taxpayer for more than one-half of
8 such taxable year, and

9 “(C) who meets the age requirements of
10 paragraph (2).

11 “(2) AGE REQUIREMENTS.—An individual
12 meets the requirements of this paragraph if such in-
13 dividual—

14 “(A) has not attained the age of 19 as of
15 the close of the calendar year in which the tax-
16 able year of the taxpayer begins, or

17 “(B) is a student who has not attained the
18 age of 24 as of the close of such taxable year.

19 “(3) SPECIAL RULES FOR DISABLED CHIL-
20 DREN.—In the case of an individual who is perma-
21 nently and totally disabled (as defined in section
22 22(e)(3)) at any time during the calendar year de-
23 scribed in paragraph (2)—

1 “(A) the requirements of paragraph (2)
2 shall be treated as met with respect to such in-
3 dividual, and

4 “(B) if the requirement of paragraph
5 (1)(B) is not met, such requirement shall be
6 treated as met if the taxpayer provided over
7 half of the individual’s support for such cal-
8 endar year.

9 “(d) QUALIFYING RELATIVE.—For purposes of this
10 section—

11 “(1) IN GENERAL.—The term ‘qualifying rel-
12 ative’ means, with respect to any taxpayer for any
13 taxable year, an individual—

14 “(A) who bears a relationship to the tax-
15 payer described in paragraph (2),

16 “(B) whose modified adjusted gross income
17 for the calendar year in which such taxable year
18 begins is less than the exemption amount,

19 “(C) with respect to whom either—

20 “(i) the principal place of abode of the
21 individual is the same as the taxpayer for
22 more than one-half of such taxable year, or

23 “(ii) if clause (i) does not apply, the
24 taxpayer provides over half of the individ-

1 ual's support for the calendar year in
2 which such taxable year begins, and

3 “(D) who is not a qualifying child of such
4 taxpayer or any other taxpayer for any taxable
5 year beginning in the calendar year in which
6 such taxable year begins.

7 “(2) RELATIONSHIP.—An individual bears a re-
8 lationship to the taxpayer described in this para-
9 graph if the individual is any of the following with
10 respect to the taxpayer:

11 “(A) A child or a descendant of a child.

12 “(B) A brother, sister, stepbrother, or
13 stepsister.

14 “(C) The father or mother, or an ancestor
15 of either.

16 “(D) A stepfather or stepmother.

17 “(E) A son or daughter of a brother or sis-
18 ter of the taxpayer.

19 “(F) A brother or sister of the father or
20 mother of the taxpayer.

21 “(G) A son-in-law, daughter-in-law, father-
22 in-law, mother-in-law, brother-in-law, or sister-
23 in-law.

24 “(3) MULTIPLE SUPPORT AGREEMENTS.—For
25 purposes of paragraph (1)(C)(ii) and subsection

1 (c)(3)(B), over half of the support of an individual
2 for a calendar year shall be treated as received from
3 the taxpayer if—

4 “(A) no one person contributed over half
5 of such support,

6 “(B) over half of such support was re-
7 ceived from 2 or more persons each of whom,
8 but for the fact that any such person alone did
9 not contribute over half of such support, would
10 have been entitled to claim such individual as a
11 dependent for a taxable year beginning in such
12 calendar year,

13 “(C) the taxpayer contributed to the sup-
14 port of the individual in an amount equal to or
15 greater than the exemption amount, and

16 “(D) each person described in both sub-
17 paragraphs (B) and (C) (other than the tax-
18 payer) files a written declaration (in such man-
19 ner and form as the Secretary may by regula-
20 tions prescribe) that such person will not claim
21 such individual as a dependent for any taxable
22 year beginning in such calendar year.

23 “(4) MODIFIED ADJUSTED GROSS INCOME.—

24 For purposes of this subsection, the term ‘modified

1 adjusted gross income’ means adjusted gross in-
2 come—

3 “(A) determined without regard to sections
4 135, 911, 931, and 933, and

5 “(B) increased by the amount of interest
6 received or accrued by the taxpayer during the
7 taxable year which is exempt from tax.

8 “(5) CERTAIN INCOME OF HANDICAPPED DE-
9 PENDENTS NOT TAKEN INTO ACCOUNT.—

10 “(A) IN GENERAL.—For purposes of para-
11 graph (1)(B), the gross income of an individual
12 who is permanently and totally disabled (as de-
13 fined in section 22(e)(3)) at any time during
14 the taxable year shall not include income attrib-
15 utable to services performed by the individual
16 at a sheltered workshop if—

17 “(i) the availability of medical care at
18 such workshop is the principal reason for
19 the individual’s presence there, and

20 “(ii) the income arises solely from ac-
21 tivities at such workshop which are inci-
22 dent to such medical care.

23 “(B) SHELTERED WORKSHOP DEFINED.—
24 For purposes of subparagraph (A), the term
25 ‘sheltered workshop’ means a school—

1 “(i) which provides special instruction
 2 or training designed to alleviate the dis-
 3 ability of the individual, and

4 “(ii) which is operated by an organi-
 5 zation described in section 501(c)(3) and
 6 exempt from tax under section 501(a), or
 7 by a State, a possession of the United
 8 States, any political subdivision of any of
 9 the foregoing, the United States, or the
 10 District of Columbia.

11 “(e) SPECIAL RULES FOR DIVORCED PARENTS,
 12 ETC.—

13 “(1) SPECIAL RULE WHERE CHILD LIVES WITH
 14 BOTH PARENTS FOR REQUIRED PERIOD.—Notwith-
 15 standing subsection (b)(2), if a child has parents—

16 “(A) who—

17 “(i) are divorced or legally separated
 18 under a decree of divorce or separate
 19 maintenance,

20 “(ii) are separated under a written
 21 separation agreement,

22 “(iii) live apart at all times during the
 23 last 6 months of the calendar year, or

1 “(iv) are married individuals filing
2 separate returns for any taxable year be-
3 ginning in the calendar year, and

4 “(B) who each satisfy the requirements of
5 subsection (c)(1)(B) or subsection (d)(1)(C)(i),
6 then such child shall be treated as the qualifying
7 child or qualifying relative, whichever is applicable,
8 of the parent with whom such child shared the same
9 principal place of abode for the greater portion of
10 the calendar year (hereafter in this subsection re-
11 ferred to as the ‘custodial parent’).

12 “(2) EXCEPTION WHERE CUSTODIAL PARENT
13 RELEASES CLAIM TO EXEMPTION FOR THE YEAR.—
14 A child of parents described in paragraph (1) shall
15 be treated as being the qualifying child or qualifying
16 relative of the noncustodial parent for a calendar
17 year if—

18 “(A) the noncustodial parent provides sup-
19 port for such calendar year in an amount equal
20 to or greater than the exemption amount,

21 “(B) as of the time the noncustodial par-
22 ent files the return for any taxable year begin-
23 ning in such calendar year, the noncustodial
24 parent has paid all child support payments re-
25 quired to be paid for such calendar year, and

1 “(C) the custodial parent signs a written
2 declaration (in such manner and form as the
3 Secretary may by regulations prescribe) that
4 such custodial parent will not claim such child
5 as a dependent for any taxable year beginning
6 in such calendar year, and the noncustodial
7 parent attaches such written declaration to the
8 noncustodial parent’s return for the taxable
9 year beginning during such calendar year.

10 For purposes of this subsection, the term
11 ‘noncustodial parent’ means the parent who is not
12 the custodial parent.

13 “(3) EXCEPTION FOR CERTAIN PRE-1994 IN-
14 STRUMENTS.—

15 “(A) IN GENERAL.—A child of parents de-
16 scribed in paragraph (1)(A) shall be treated as
17 being the qualifying child or qualifying relative
18 of the noncustodial parent for a calendar year
19 if a qualified pre-1994 instrument between the
20 parents applicable to the taxable year beginning
21 in such calendar year provides that—

22 “(i) the noncustodial parent shall be
23 entitled to any deduction allowable under
24 section 151 for such child, or

1 “(ii) the custodial parent will sign a
2 written declaration that such parent will
3 not claim such child as a dependent for
4 such taxable year.

5 “(B) QUALIFIED PRE-1994 INSTRUMENT.—
6 For purposes of this paragraph, the term
7 ‘qualified pre-1994 instrument’ means any in-
8 strument described in subparagraph (A) or (B)
9 of section 71(b)(2)—

10 “(i) which is executed before January
11 1, 1994,

12 “(ii) which on such date contains ei-
13 ther of the provisions described in subpara-
14 graph (A)(i), and

15 “(iii) which is not modified on or after
16 such date in a modification which expressly
17 provides that this paragraph shall not
18 apply to such decree or agreement.

19 “(f) OTHER DEFINITIONS AND RULES.—For pur-
20 poses of this section—

21 “(1) STUDENT DEFINED.—The term ‘student’
22 means an individual who during each of 5 calendar
23 months during the calendar year in which the tax-
24 able year of the taxpayer begins—

1 “(A) is a full-time student at an edu-
2 cational organization described in section
3 170(b)(1)(A)(ii), or

4 “(B) is pursuing a full-time course of insti-
5 tutional on-farm training under the supervision
6 of an accredited agent of an educational organi-
7 zation described in section 170(b)(1)(A)(ii) or
8 of a State or political subdivision of a State.

9 “(2) PLACE OF ABODE.—An individual shall
10 not be treated as having the same principal place of
11 abode of the taxpayer if at any time during the tax-
12 able year of the taxpayer the relationship between
13 the individual and the taxpayer is in violation of
14 local law.

15 “(3) SPECIAL RULES FOR SUPPORT.—For pur-
16 poses of this section—

17 “(A) payments to a spouse (or former
18 spouse) which are includible in the gross income
19 of such spouse under section 71 or 682 shall
20 not be treated as a payment by the payor
21 spouse for the support of any individual,

22 “(B) amounts expended for the support of
23 a child or children shall be treated as received
24 from the noncustodial parent to the extent that

1 such parent provided amounts for such support,
2 and

3 “(C) in the case of the remarriage of a
4 parent, support of a child received from the
5 parent’s spouse shall be treated as received
6 from the parent.

7 “(4) CROSS REFERENCES.—

**“For provision treating a child as dependent of
both parents for purposes of certain provisions, see
sections 105(b), 132(f)(2)(B), and 213(d)(5).”**

8 (b) MODIFICATIONS OF DEDUCTION.—Section 151(c)
9 (relating to additional exemption for dependents) is
10 amended to read as follows:

11 “(c) ADDITIONAL EXEMPTIONS FOR DEPEND-
12 ENTS.—An exemption of the exemption amount for each
13 individual who is a dependent (as defined in section 152)
14 of the taxpayer for the taxable year.”

15 (c) MODIFICATIONS OF CERTAIN CREDITS.—

16 (1) DEPENDENT CARE CREDIT.—

17 (A) IN GENERAL.—Section 21(a) is
18 amended by striking “who maintains a house-
19 hold which includes as a member one or more
20 qualifying individuals (as defined in subsection
21 (b)(1))” and inserting “who has one or more
22 qualifying individuals (as defined in subsection
23 (b)(1)) who have the same principal place of

1 abode as the taxpayer for more than one-half of
2 the taxable year”.

3 (B) CONFORMING AMENDMENT.—Section
4 21(e)(1) is repealed.

5 (2) EARNED INCOME CREDIT.—

6 (A) IN GENERAL.—Paragraph (3) of sec-
7 tion 32(c) is amended to read as follows:

8 “(3) QUALIFYING CHILD.—

9 “(A) IN GENERAL.—The term ‘qualifying
10 child’ means a qualifying child of the taxpayer
11 (as defined in section 152(c)) with respect to
12 whom the taxpayer is entitled to a deduction
13 under section 151(c) for the taxable year (de-
14 termined without regard to section 152 (d)(3)
15 or (e)(2)).

16 “(B) PLACE OF ABODE.—For purposes of
17 subparagraph (A), the requirements of section
18 152(c)(1)(B) shall be met only if the principal
19 place of abode is in the United States. The pre-
20 ceding sentence shall not apply during any pe-
21 riod during which the taxpayer is stationed out-
22 side the United States while serving on ex-
23 tended active duty (as defined in section
24 1034(h)(3)) with the Armed Forces of the
25 United States.”

1 (B) REPORTING REQUIREMENTS ON CER-
2 TAIN EXCLUDABLE INCOME.—

3 (i) IN GENERAL.—Subsection (a) of
4 section 6051 (relating to receipts for em-
5 ployees) is amended by striking “and” at
6 the end of paragraph (8), by striking the
7 period at the end of paragraph (9) and in-
8 serting a comma, and by inserting after
9 paragraph (9) the following new para-
10 graphs:

11 “(10) in the case of an employee who is a mem-
12 ber of the Armed Forces of the United States, such
13 employee’s earned income as determined for pur-
14 poses of section 32 (relating to earned income cred-
15 it), and

16 “(11) in the case of a minister of the gospel,
17 any amount excludable from gross income under sec-
18 tion 107 (relating to rental value of parsonages).”

19 (ii) SIMPLIFIED VALUATION.—The
20 Secretary of the Treasury or his delegate
21 may, for purposes of paragraphs (10) and
22 (11) of section 6051(a) of the Internal
23 Revenue Code of 1986 (as added by clause
24 (i)), prescribe a simplified valuation meth-
25 od for determining the value of any hous-

1 ing allowances of members of the Armed
2 Forces and the rental value of parsonages.

3 (C) CONFORMING AMENDMENT.—Section
4 32(c)(1) is amended by striking subparagraphs
5 (B) and (C) and by redesignating subparagraph
6 (D) as subparagraph (B).

7 (d) TECHNICAL AND CONFORMING AMENDMENTS.—

8 (1) Section 21(e)(5)(A) is amended by striking
9 “or (4)” and inserting “or (3)”.

10 (2) Section 51(i)(1) is amended to read as
11 follows:

12 “(1) RELATED INDIVIDUALS.—No wages shall
13 be taken into account under subsection (a) with re-
14 spect to an individual—

15 “(A) who bears a relationship described in
16 section 152(d)(2) to—

17 “(i) the taxpayer,

18 “(ii) if the taxpayer is a corporation,
19 to an individual who owns, directly or indi-
20 rectly, more than 50 percent in value of
21 the outstanding stock of the corporation
22 (determined with the application of section
23 267(c)), or

1 “(iii) if the taxpayer is an estate or
2 trust, a grantor, beneficiary, or fiduciary of
3 the estate or trust, or

4 “(B) in the case of a taxpayer which is an
5 estate or trust, who is a grantor, beneficiary, or
6 fiduciary of the estate or trust.”

7 (3) Section 170(g)(3) is amended to read as fol-
8 lows:

9 “(3) RELATIVE DEFINED.—For purposes of
10 paragraph (1), the term ‘relative of the taxpayer’
11 means an individual who bears a relationship de-
12 scribed in subsection (d)(2) of section 152 to the
13 taxpayer.”

14 (4) Section 2032A(c)(7)(D) is amended by
15 striking “section 151(c)(4)” and inserting “section
16 152(f)(1)”.

17 (5) Section 7701(a)(17) is amended by striking
18 “152(b)(4), 682,” and inserting “682”.

19 (e) EFFECTIVE DATE.—

20 (1) IN GENERAL.—Except as provided in para-
21 graph (2), the amendments made by this section
22 shall apply to taxable years beginning after Decem-
23 ber 31, 1993.

1 (2) REPORTING REQUIREMENTS.—The amend-
2 ments made by subsection (c)(2)(B) shall apply to
3 taxable years beginning after December 31, 1994.

4 **SEC. 102. MODIFICATIONS OF DEFINITIONS OF HEAD OF**
5 **HOUSEHOLD AND SURVIVING SPOUSE.**

6 (a) SURVIVING SPOUSE.—Section 2(a)(1) is amend-
7 ed—

8 (1) by striking subparagraph (B) and inserting:

9 “(B) subject to the provisions of subsection
10 (e), who has a child who is a dependent with re-
11 spect to whom the taxpayer is entitled to a de-
12 duction for the taxable year under section
13 151.”, and

14 (2) by striking the last sentence.

15 (b) HEAD OF HOUSEHOLD.—Section 2(b) is amended
16 to read as follows:

17 “(b) HEAD OF HOUSEHOLD.—For purposes of this
18 subtitle—

19 “(1) IN GENERAL.—An individual shall be con-
20 sidered a head of a household for any taxable year
21 if—

22 “(A) such individual is not married as of
23 the close of the taxable year, and

24 “(B) subject to the provisions of subsection
25 (e), such individual is entitled to a deduction

1 for such taxable year under section 151(c) for
2 1 or more dependents (determined without re-
3 gard to section 152 (d)(3) or (e)(2)).

4 “(2) DETERMINATION OF STATUS.—For pur-
5 poses of this subsection—

6 “(A) an individual who is legally separated
7 from his spouse under a decree of divorce or of
8 separate maintenance shall not be considered as
9 married;

10 “(B) a taxpayer shall be considered as not
11 married at the close of his taxable year if at
12 any time during the taxable year his spouse is
13 a nonresident alien; and

14 “(C) a taxpayer shall be considered as
15 married at the close of his taxable year if his
16 spouse (other than a spouse described in sub-
17 paragraph (B)) died during the taxable year.

18 “(3) LIMITATION.—A taxpayer shall not be
19 treated as a head of a household under this sub-
20 section if at any time during the taxable year the
21 taxpayer is a nonresident alien.”

22 (c) CERTAIN DEPENDENTS MUST LIVE WITH TAX-
23 PAYERS.—Section 2 is amended by redesignating sub-
24 section (e) as subsection (f) and by inserting after sub-
25 section (d) the following new subsection:

1 “(e) CERTAIN DEPENDENTS MUST LIVE WITH TAX-
 2 PAYER.—For purposes of subsections (a)(1)(B) and
 3 (b)(1)(B), an individual shall not be treated as entitled
 4 to a deduction under section 151(c) for a qualifying rel-
 5 ative unless the requirements of section 152(d)(1)(C)(i)
 6 are met with respect to such relative. The preceding sen-
 7 tence shall not apply to the father or mother of a tax-
 8 payer.”

9 (d) EFFECTIVE DATE.—The amendments made by
 10 this section shall apply to taxable years beginning after
 11 December 31, 1993.

12 **SEC. 103. MARRIED INDIVIDUALS LIVING APART.**

13 (a) IN GENERAL.—Section 7703(b) (relating to mar-
 14 ried individuals living apart) is amended to read as
 15 follows:

16 “(b) CERTAIN MARRIED INDIVIDUALS LIVING
 17 APART.—For purposes of the provisions of this title which
 18 refer to this subsection or section, an individual shall not
 19 be treated as married for a taxable year if—

20 “(1) such individual—

21 “(A) is married (within the meaning of
 22 subsection (a)) and files a separate return, and

23 “(B) has a principal place of abode for
 24 more than one-half of such taxable year which
 25 is the same principal place of abode of a child

1 (as defined in section 7701(l)) with respect to
 2 whom such individual is entitled to a deduction
 3 under section 151 (or would be so entitled but
 4 for paragraph (2) or (3) of section 152(e)), and
 5 “(2) such individual’s spouse does not have at
 6 any time during the last 6 months of such taxable
 7 year the same principal place of abode as such
 8 individual.”

9 (b) CONFORMING AMENDMENTS.—

10 (1) Section 21(e)(4) is amended to read as fol-
 11 lows:

12 “(4) CERTAIN MARRIED INDIVIDUALS LIVING
 13 APART.—Individuals described in section 7703(b) for
 14 any taxable year shall not be treated as married.”

15 (2) Section 7703(a) is amended by inserting
 16 “or section” after “subsection”.

17 (c) EFFECTIVE DATE.—The amendments made by
 18 this section shall apply to taxable years beginning after
 19 December 31, 1993.

20 **SEC. 104. COORDINATION OF BENEFITS FOR DEPENDENTS.**

21 (a) HEALTH INSURANCE CREDIT AND MEDICAL DE-
 22 Ductions.—

23 (1) MEDICAL EXPENSE DEDUCTION.—Section
 24 213 is amended by striking subsection (f).

1 (2) SELF-EMPLOYED INDIVIDUALS.—Paragraph
2 (3) of section 162(l) is amended to read as follows:

3 “(3) COORDINATION WITH MEDICAL DEDUC-
4 TION.—Any amount paid by a taxpayer for insur-
5 ance to which paragraph (1) applies shall not be
6 taken into account in computing the amount allow-
7 able to the taxpayer as a deduction under section
8 213(a).”

9 (b) YOUNG CHILD CREDIT AND DEPENDENT CARE
10 CREDIT AND EXCLUSION.—Section 32(b)(1)(D) is amend-
11 ed by striking the last sentence.

12 (c) EFFECTIVE DATE.—The amendments made by
13 this section shall apply to taxable years beginning after
14 December 31, 1993.

15 **TITLE II—DEFINITION OF CHILD**

16 **SEC. 201. UNIFORM DEFINITION OF CHILD.**

17 (a) IN GENERAL.—Section 7701 is amended by re-
18 designating subsection (l) as subsection (m) and by insert-
19 ing after subsection (k) the following new subsection:

20 “(l) UNIFORM DEFINITION OF CHILD.—For pur-
21 poses of this title—

22 “(1) IN GENERAL.—The term ‘child’ means,
23 with respect to any individual, the son, daughter,
24 stepson, or stepdaughter of the individual.

25 “(2) ADOPTION.—The term ‘child’ includes—

1 “(A) any legally adopted child of an indi-
2 vidual, and

3 “(B) any child who is a member of an indi-
4 vidual’s household if placed with such individual
5 by an authorized placement agency for legal
6 adoption by such individual.

7 “(3) OTHER CHILDREN.—The term ‘child’ in-
8 cludes any individual not described in paragraph (1)
9 or (2) who—

10 “(A) a taxpayer cares for as the taxpayer’s
11 own child, and

12 “(B) has the same principal place of abode
13 as the taxpayer for the taxpayer’s entire taxable
14 year.”

15 (b) TECHNICAL AND CONFORMING AMENDMENTS.—

16 (1) Section 21(e)(6) is amended by striking “a
17 child of the taxpayer (within the meaning of section
18 151(c)(3))” and inserting “a child of the taxpayer
19 (within the meaning of section 7701(l))”.

20 (2) Section 129(c)(2) is amended by striking “a
21 child of such employee (within the meaning of sec-
22 tion 151(c)(3))” and inserting “a child of such em-
23 ployee (within the meaning of section 7701(l))”.

1 (3) Section 132(g)(2)(B) is amended by strik-
 2 ing “any child (as defined in section 151(c)(3))” and
 3 inserting “any child (as defined in section 7701(l))”.

4 (4) Section 318(a)(1) is amended to read as
 5 follows:

6 “(1) MEMBERS OF FAMILY.—An individual
 7 shall be considered as owning the stock owned, di-
 8 rectly or indirectly, by or for—

9 “(A) his spouse (other than a spouse who
 10 is legally separated from the individual under a
 11 decree of divorce or separate maintenance), and

12 “(B) his children, grandchildren, or par-
 13 ents.”

14 (5) Section 1563(e)(6) is amended by striking
 15 subparagraph (C).

16 (6) Section 2032A(e)(2) is amended by striking
 17 the last sentence.

18 (c) EFFECTIVE DATE.—The amendments made by
 19 this section shall take effect on January 1, 1994, except
 20 that such amendments shall not apply to taxable years be-
 21 ginning before such date.

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S 939 IS——2